

NEVADA BELL
COST ALLOCATION MANUALAFFILIATE TRANSACTIONS MATRIX
SERVICES PROVIDED BY
AFFILIATES TO NEVADA BELL

TRANSACTION PARTY	NATURE OF TRANSACTION	TERMS	FREQUENCY
PACIFIC TELESIS GROUP	Legal Service	Fully Distributed	Ongoing-Daily
	Corporate Strategy	Fully Distributed	Ongoing-Daily
	Human Resources	Fully Distributed	Ongoing-Daily
	Financial Services	Fully Distributed	Ongoing-Daily
	External Affairs	Fully Distributed	Ongoing-Daily
PACIFIC BELL DIRECTORY	Nevada Bell Directory	Fully Distributed	Ongoing-Daily
	White Pages Yellow Pages	Fully Distributed	Ongoing-Daily
PACIFIC TELESIS GROUP - WASHINGTON	Regulatory/Governmental	Fully Distributed	Ongoing-Daily
BELLCORE	Technical Support	Fully Distributed	Ongoing-Daily
PACIFIC BELL INFORMATION SERVICES	Voice Mail Product Support	Tariffed Rates	Ongoing-Daily

A. Corporate Structure

Nevada Bell is a wholly owned subsidiary of the Pacific Telesis Group.

Transactions occurring between regulated affiliates, Pacific Bell and Nevada Bell are not discussed in this Manual because these transactions are handled as "joint participation" in accordance with Part 32, Paragraph 32.14(e).

B. Nature and Frequency of Affiliated Company Transactions

Affiliated company transactions are divided as follows:

- a. Goods and Services provided by Nevada Bell to Nonregulated Affiliates
- b. Goods and Services provided by Nonregulated Affiliates to Nevada Bell

B1. Goods and Services provided by Nevada Bell to Nonregulated Affiliates

On an ongoing basis, and in accordance with the terms of established contracts, Nevada Bell provides services to the following nonregulated affiliates:

Pacific Bell Mobile Services - Services provided include:

All Departments

Miscellaneous Consulting - provides short term advisory services on topics initiated by affiliates subject to proprietary information protection. Frequency - as requested.

Engineering

Statewide Engineering Services - provides for the relocation of incumbent 2 Ghs Private Operational Fixed Microwave Service users to make available the spectrum necessary to implement a PCS network; establishment of interconnect microwave links; detailed engineering for site preparation and PCS equipment installation; minicomputer engineering, information management and resident engineering services for PCS network and surveillance network. Frequency - ongoing.

Loaned Employees

Employees Under Contract - provides employees, as available. Frequency - as requested.

Marketing

Marketing Communications - provides advice and counsel in development of Marketing Communications plans, selection of vendors, and management of programs. Frequency - as requested.

Planning

Corporate Research - provides research services and statistical reports. Frequency - as requested.

Procurement

Contracting Services - provides advice and counsel associated with the preparation of Requests for Proposal (RFPs). Frequency - as requested.

Messenger Service - provides mail pick up, delivery, and special mail dispatch upon request. Frequency - ongoing.

Real Estate Support Services

Property Management (Paved and Unpaved Land Use) - provides services related to the use of owned or leased building space, paved and unpaved land use, lease negotiations, space planning, engineering and construction services and other space related support services. Frequency - ongoing.

Central Office Collocation (DC Power) - this service provides DC power and battery backup for PBMS equipment collocated in Nevada Bell central offices. Frequency - ongoing.

Regulatory

Regulatory Policy - prepares and reviews material to support the company relative to applications and tariff filings before state regulators. Frequency - as requested.

Regulatory Relations - acts as a single point of contact and provides information for filings and inquiries between PBMS and state regulators. Frequency - as requested.

Regulatory Support - provides assistance in responding to information requests in connection with regulatory proceedings. Frequency - as requested.

Sales Services

Sales Operations (Referrals) - sales personnel will

refer customers to the affiliate, negotiate orders for affiliate products, develop training reference materials and develop and maintain methods and procedures related to order negotiation/service order issuance activities. Frequency - ongoing.

Telephone Service

Telephone Service - provides tariffed telephone service at tariffed rates. Frequency - ongoing.

Assets - Although Nevada Bell does not participate in any on-going activity in which it provides assets to its nonregulated affiliates, periodically, in the course of general corporate reorganizations, Nevada Bell may provide assets (e.g. furniture, office equipment, etc.) to one or more of its nonregulated affiliates. These assets are provided at net book value plus incremental transaction costs or fair market value, whichever is higher.

B2. Goods and Services provided to Nevada Bell by Nonregulated Affiliates

When a nonregulated affiliate provides services to Nevada Bell at fully distributed cost, a return on investment component is included in the fully distributed cost. Full cost is calculated as follows:

- 1) Costs are allocated to Nevada Bell using the Pacific Telesis Group Holding Company cost allocation process described in the paragraphs which follow.
- 2) Annually, a rate base for each nonregulated affiliate that provides service at fully distributed cost is calculated. The rate base is defined as net fixed assets, consisting of furniture and fixtures, vehicles, computer equipment, telephone equipment, and leasehold improvements less accumulated depreciation. The rate base does not include aircraft, cash working capital, deferred charges nor a deduction for deferred income taxes.
- 3) To the rate base, a rate of return is applied to get an annual allowed return on investment. The rate of return used is the lower of the authorized interstate or intrastate rate of return.
- 4) The total allowed return on investment is divided by 12 to get a monthly allowed return on investment.
- 5) Monthly, when an affiliate bills Nevada Bell for services rendered at fully distributed cost, the amount to

A. Goods and Services Provided by Pacific Bell to Nonregulated Affiliates - Continued

Pacific Bell Mobile Services - provides wireless communications services for business and residential markets, resale of cellular services, and construction and management services for Pacific Telecels Mobile Services' personal communication services.

Pacific Telecels Enterprises - is the corporate legal entity responsible for Pacific Telecels Enhanced Services and its subsidiaries as well as for exploring and developing emerging new services and products.

Digital Graphics ADvantage - provides pre-press services such as graphic design layouts for various directories produced by Pacific Bell Directory.

Pacific Telecels Mobile Services - This affiliate will hold the PCS licenses.

NOTE: Services provided to Nevada Bell are not discussed in this manual because these transactions are treated as "joint participation" in accordance with paragraph 32.14 (e) of the USOA.

The service descriptions which follow are recorded in accordance with the Order:

- regulated telephone services that are provided to nonregulated affiliates are at tariffed rates,
- nonregulated services (such as Voice Mail) are provided at prevailing list price or in the absence of prevailing list price, at fully distributed costs:
 - a) direct costs are directly assigned, and
 - b) all other costs are allocated and attributed in accordance with the Cost Apportionment Table included in this manual

The following pages identify, by nonregulated affiliate, those services which are provided by Pacific Bell. The same information in a chart format follows this section. Unless noted in the service descriptions, all charges are at fully distributed costs.

A. Goods and Services Provided by Pacific Bell to Nonregulated Affiliates - Continued

Pacific Telecom Mobile Services

Legal

Attorney Services - provides attorney services. Frequency - as requested.

Paralegal Support Services - provides paralegal and support services. Frequency - as requested.

Regulatory

Regulatory Policy - prepares, reviews and presents material to support the affiliate relative to tariff filings before the CPUC. Frequency - as requested.

Regulatory Relations - acts as a single point of contact and provides information for filings and inquiries between the affiliate and the CPUC. Frequency - as requested.

Regulatory Support - provides assistance in responding to information requests in connection with regulatory proceedings. Frequency - as requested.

AFFILIATE TRANSACTIONS MATRIX
SERVICES PROVIDED BY NEVADA BELL
TO AFFILIATES

TRANSACTION PARTY	NATURE OF TRANSACTION	TERMS	FREQUENCY	
PACIFIC TELESIS MOBILE SERVICES	Legal	Fully Distributed	As requested	* *
	Regulatory	Fully Distributed	As requested	
PACIFIC BELL MOBILE SERVICES	Miscellaneous Consulting	Fully Distributed	As requested	
	Engineering	Fully Distributed	On-going	
	Loaned Employees	Fully Distributed	As requested	
	Marketing	Fully Distributed	As requested	
	Planning	Fully Distributed	As requested	
	Procurement	Fully Distributed	On-going and as requested	
	Real Estate Support Svcs	Fully Distributed	On-going	
	Regulatory	Fully Distributed	As requested	
	Sales Services	Fully Distributed	On-going	
	Telephone Service	Tariffed Rates	On-going	

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B1. Goods and Services provided by Nevada Bell to Nonregulated Affiliates

On an ongoing basis, and in accordance with the terms of established contracts, Nevada Bell provides services to the following nonregulated affiliates:

Pacific Telesis Mobile Services - This affiliate will hold the PCS licenses. Services provided include:

Legal

Attorney Services - Provides attorney services.
Frequency - as requested.

Paralegal Support Services - provides paralegal and support services. Frequency - as requested.

Regulatory

Regulatory Policy - prepares and reviews material to support the company relative to applications and tariff filings before state regulators. Frequency - as requested.

Regulatory Relations - acts as a single point of contact and provides information for filings and inquiries between the affiliate and state regulators. Frequency - as requested.

Regulatory Support - provides assistance in responding to information requests in connection with regulatory proceedings. Frequency - as requested.

Pacific Bell Mobile Services - provides wireless communications services for business and residential markets, resale of cellular services, and construction and management services for Pacific Telesis Mobile Services' personal communication services. Services provided include:

All Departments

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Loaned Employees

Employees Under Contract - provides employees, as available. Frequency - as requested.

Exhibit B

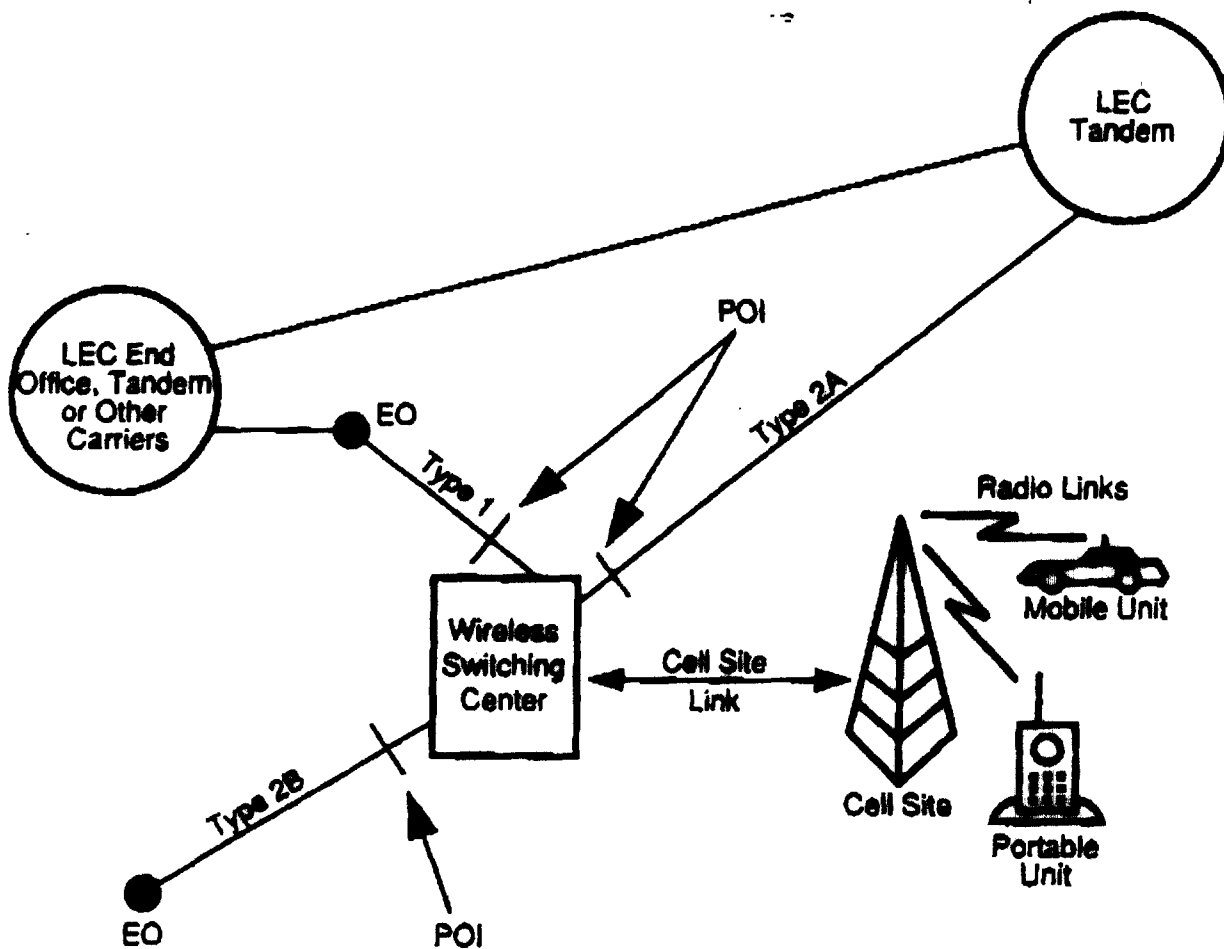


Figure 2-1. WSP to LEC Switched Interconnection Configuration for Type 1, 2A and 2B Interfaces